

CHAPTER 9

STATUTORY AUTHORITY FOR FUNDS

Chapter 298A establishes the fund structure which shall be used by school districts commencing with the school budget year which begins on July 1, 1995 (298A.1). A school corporation may establish other funds in accordance with generally accepted accounting principles and may certify other taxes to be levied for the funds as provided by state law (298A.14).

Funds and Account Groups

| FUND CODE | FUND TITLE |
|---------------------------|--|
| Governmental Funds | |
| 10 | General Fund |
| Special Revenue Funds | |
| 21 | Student Activity Fund |
| 22 | Management Levy Fund |
| 23 | Physical Plant & Equipment (PPEL) Fund |
| 24 | Public Education & Recreation (PERL) Fund |
| 25 | AEA Special Education Instruction Fund |
| 26 | AEA Juvenile Home Instruction Fund |
| 27 | Special Revenue Trust Funds |
| 28 | 67.5 Cent Schoolhouse Levy Fund |
| 29 | Library Levy Fund |
| Capital Projects Funds | |
| 31-32 | Capital Project Funds from Bonds |
| 33 | Local Option Sales and Services Tax Capital Projects Fund |
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| 40 | Debt Service Fund |
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| Proprietary Funds | |
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| 51 | School Nutrition Fund |
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| 58 | AEA Cooperative Purchasing Fund |
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| 61 | Self-Insurance Fund |
| 62 | Flex-Benefits (cafeteria) Plan Fund |
| 63-69 | Other Internal Service Funds |
| Fiduciary Funds | |
| Trust and Agency Funds | |
| 71-72 | Expendable Trust Funds/Private-Purpose Trust Funds (GASB Statement 34) |
| 73-74 | Non-expendable Trust Funds |
| 75 | Pension Trust Funds |
| 76-79 | Agency Funds |
| Account Groups | |
| 80 | General Fixed Assets Account Group (GFAAG) |
| 90 | General Long-term Debt Account Group (GLTDAG) |

Some funds will change and the account groups will be eliminated with the implementation of GASB Statement 34.

Separation of Funds

A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated in order to carry on specific activities [NCGA Statement 1].

Each fund is mutually exclusive and completely independent of any other fund. Therefore, no fund shall be used as a clearing account for another fund.

Funds may not be used for any other purpose than that for which voted except by a vote of the electors (1938 Op. Att’y Gen. 167 (#37-4-14)).

The status of each fund must be included in the annual report. The treasurer shall keep a separate account for each fund, and shall not pay an order that fails to state the fund upon which it is drawn and the specific use to which it is to be applied (298A.14).

The district is not required by law to keep separate bank accounts because of the requirement for separateness of the funds (OAG #65-10-14). The law does not specify separate bank accounts, but there may be practical reasons for doing so (1 D.P.I. Dec. Rul. 65). However, if moneys are combined for investment purposes, the interest earned shall be credited to each appropriate fund.

School districts and AEAs operate under Dillon’s Rule. Each fund authorized to be established in the school district and AEA is listed in Code along with the allowed revenues and expenditures for each fund. Each fund is allowed to be used for the purposes authorized in Code and no other. Each fund is mutually exclusive and independent of any other fund. If a revenue or expenditure is specifically authorized for one fund, it is not appropriate to any other fund, unless the Code also specifically authorizes it to that other fund. Expenditures which are authorized to more than one fund include, but may not be limited to, the following:

1. School buses may be purchased from the general fund (285.10(7)) or from the physical plant and equipment levy fund (298.3(9)).
2. Single units of equipment or a technology system costing more than \$1,500 may be purchased from the general fund (279.28) or from the physical plant and equipment levy fund (298.3(3)). Equipment [except recreational or real property] costing less than \$1,500 shall be purchased from the general fund.
3. Certain environmental hazard expenditures may come from the general fund or from the physical plant and equipment levy fund. Asbestos projects may be paid from the general fund or the physical plant and equipment levy fund (279.52). Expenditures for other environmental hazards for which a state or federal requirement exists for removal, management, or abatement, may come from the general fund if the SBRC grants modified allowable growth (257.31(6)), otherwise they are expended from the physical plant and equipment levy fund.
4. The SBRC may grant a district authority to spend a reasonable and specified amount from its unexpended cash balance (but not modified allowable growth) to complete furnishing, equipping, and contributing to the construction of a new building or structure for which the voters of the district have approved a bond issue as provided by law or the tax levy provided in section 298.2; or the costs associated with the demolition of an unused school building, or the conversion of an unused school building for community use, in a school district involved in a dissolution or reorganization under chapter 275, if the costs are incurred within three years of the dissolution or reorganization. Any part of the amount not actually spent for the authorized purpose shall revert to its former status as part of the unexpended cash balance (257.31(7)). If authority is not granted by the SBRC to use the general fund, the expenditures must come from the capital projects fund or physical plant and equipment levy fund, as appropriate.
5. Facility construction is appropriate to the local option sales and services tax for school infrastructure capital projects fund (422E), bond issue capital project funds (296.1), and the physical plant and equipment levy (298.3).

Interfund Transactions

Generally, moneys may not be transferred between funds, other than authorized by 298A.9 and 298A.10, unless the purpose of the fund is ended or the transfer is authorized by the state appeal board. All allowable transfers or loans require board action, and some require a vote of the electorate.

However, bona fide loans authorized by the board, executed by a note at the going rate of interest, and repaid by fiscal year end would not be an audit exception (Letter, Office of the Auditor of State, September 9, 1980). Before any school board decides to loan money between the separate accounts under its jurisdiction, it would be well advised to review the current rates of interest it receives on its invested funds and the amount of interest it would pay on warrants (1 D.P.I. Dec. Rul. 65).

With the implementation of GAAP, the statutory term "schoolhouse fund" is no longer used. When older OAGs refer to the schoolhouse fund those would refer to the following current funds:

- Physical Plant and Equipment Levy (PEEL),
- Capital Projects,
- Debt Service,
- 67.5 Cent Schoolhouse Levy, and
- Public Education and Recreation Levy (PERL).

Authorized by Board

Money inadvertently placed in the general fund may be withdrawn and put to the special purposes for which raised (1936 Op. Att'y Gen. 38 (#35-1-26)).

Transfers from the general fund to the schoolhouse fund may not be authorized either by vote of the school board or the electorate (OAG # 80-11-26).

When a new district is organized the funds cannot be placed in the schoolhouse fund and used for building purposes (OAG #55-7-26).

Subject to the provisions of any law relating to municipalities [municipalities include school districts], when the necessity for maintaining any fund has ceased to exist and a balance remains in the fund, the board of directors shall so declare, by resolution, and upon such declaration, such balance shall be transferred to the fund or funds designated by the board, unless other provisions have been made in creating such fund in which the balance remains (24.21).

"Provisions of law" referred to in section 24.21 does not permit the board, acting alone, to transfer funds either direction between the general fund and the debt service, PEEL, capital projects, or PERL funds. Transfers from those funds to the general fund can be accomplished by a vote of the electorate. Transfers from the general fund to those funds are not permitted by either a vote of the people or board action. Boards may transfer inactive funds, but boards cannot transfer from active funds without the permission of the state appeal board, except as authorized by 298A.9 and 298A.10. There are two exceptions to the rules in the above paragraph with the implementation of GAAP:

1. *Capital Projects.* Any governmental fund authorized to be used to construct or acquire capital facilities, must transfer those funds to a capital projects fund to be accounted for there. Surplus remaining after the completion of the capital project may be returned to the fund from which the money originated (298A.9).
2. *Debt Service.* Any governmental fund having authorized indebtedness must transfer those funds to the debt service fund when interest and principal payments are due. Retirement of bonded indebtedness or other authorized indebtedness shall be accounted for in the debt service fund (298A.10). Other than bonded indebtedness, payments for debt retirement may only come from the fund in which the original loan proceeds were deposited.

Authorized by Voters

Transfers from the general fund to the schoolhouse fund may not be authorized either by vote of the school board or the electorate (OAG # 80-11-26).

Temporary transfers from the schoolhouse fund to the general fund cannot be made unless authorized by electors for certain limited purposes (OAG #64-2-5).

The electorate, by vote, may direct the board of directors to transfer any surplus funds in the debt service fund, PEEL fund, capital projects funds, or PERL fund to the general fund [but not the reverse] (278.1(5)).

Authorized by State Appeal Board

Upon the approval of the state appeal board, the board of directors may make temporary or permanent transfers from one fund to another. The board shall provide that money temporarily transferred shall be returned to the fund from which it was transferred within the time and upon the conditions the state board determines. However, it is not

necessary to return to the emergency fund, or to any fund no longer required, any money transferred to any other fund (24.22).

Iowa Code section 24.22 referring to authority to transfer money between funds upon the approval of the state appeal board does not apply to transfers from the general fund to the schoolhouse fund (OAG #27-4-22).

Transfers may not be made from the general fund to the schoolhouse fund nor may the general fund be used for sites or improvements (1938 Op. Att’y Gen. 210 (#37-5-7)).

A school district board of directors may not transfer funds from the general fund to the schoolhouse fund for the purpose of constructing a hot lunch facility even though there is sufficient surplus in the general fund to defray the cost of such construction (OAG #79-11-20).

Where a simple transfer of funds is requested which would not increase the budget appropriation, the transfer may be accomplished if it is a fund that may be transferred, and if approved by the state appeal board as required by 24.22, without the necessity of publication of notice and a public hearing as required in 24.9 (OAG #66-8-26).

Authorized by School Budget Review Committee

The SBRC may authorize a district to spend a reasonable and specified amount from its unexpended cash balance in the general fund for either of the following purposes:

- a. Furnishing, equipping, and contributing to the construction of a new building or structure for which the voters of the district have approved a bond issue as provided by law or the PPEL tax levy.
- b. The costs associated with the demolition of an unused school building, or the conversion of an unused school building for community use, in a school district involved in a dissolution or reorganization under chapter 275, if the costs are incurred within three years of the dissolution or reorganization.

Any part of the amount not actually spent for the authorized purpose shall revert to its former status as part of the unexpended cash balance (257.31(7)).

To implement the above statute, the district must transfer the authorized amount from the general fund to the appropriate capital projects fund. Any part of the amount not actually spent for the authorized purposes at the end of the project is returned to the general fund by transfer.

General Fund (10)

Purpose and Use

This fund must be established by all school districts. All moneys received by a school corporation from taxes and other sources must be accounted for in the general fund, except moneys required by law to be accounted for in another fund (298A.2). If another fund specifically lists an expenditure to that fund, it is assumed not to be appropriate to the general fund unless the Code also specifically states that it is an appropriate general fund expenditure.

Types of Expenditures

Expenditures include all general operating expenses of the school such as salaries, employee benefits, purchased services, supplies, and expenditures for instructional equipment. Expenditures may include the purchase of school buses including the installment acquisition of buses (285.10(7)).

Boards of directors in all public school districts may establish and maintain dental clinics for children and offer courses of instruction on mouth hygiene. The boards may employ such legally qualified dentists and dental hygienists as may be necessary to accomplish the purpose of this section. The cost of the dental clinic shall be paid from the general fund (280.7).

The AEA board or school board of any school district may employ public health nurses at periods each year and in numbers as deemed advisable. The council of any city, or the school board of any school district, or any of them acting in cooperation, may contract with any nonprofit nurses' association for public health nursing service. The compensation and expenses shall be paid out of the general fund of the political subdivision employing nurses (143.1).

In order that property tax funds could be used to pay for any part of the school lunch program an express statutory authority could be required for such use (OAG #65-6-30).

The board of directors may provide and pay out of the general fund to insure school property a sum as necessary, and may purchase dictionaries, library books, including books for the purpose of teaching vocal music, maps, charts, and apparatus for the use of the schools as deemed necessary by the board of directors for each school building under its charge; and may furnish schoolbooks to indigent children when they are likely to be deprived of the proper benefits of the school unless so aided (279.28).

A school district may not use proceeds from the general fund to repay long-term indebtedness unless specifically allowed by law. Specific authorization is given for school bus purchases (285.10(7)), asbestos (279.52), energy conservation (473.20), and equipment purchases (279.48).

The board of directors of a school corporation may purchase equipment, and may negotiate and enter into a loan agreement and issue a note to pay for the equipment from the general fund pursuant to the requirements of Code (279.48).

The board of directors may pay the actual cost of an asbestos projects and repayment of a federal asbestos loan program from the general fund or from the PPEL fund (279.52).

The local school board may purchase buses, including on a five-year installment acquisition plan from the general fund (285.10(7)).

The school district may pay the costs of an energy conservation project and repayment of loans entered into with the department of natural resources or its duly authorized agents or representatives for energy conservation projects from the general fund (473.20).

The cost of publishing the notices and estimates required by chapter 24 [budgets], and the actual and necessary expenses of preparing the budget shall be paid out of the general fund (24.16).

If the district has not certified a district management levy, the cost of insurance shall be paid from the general fund (670.7).

The board may, when necessary, rent a room and employ a teacher, where there are ten children for whose accommodation there is no schoolhouse (297.12).

All the books and other necessary school supplies purchased by the board to be loaned, rented, or sold at cost to students shall be paid for out of the general fund (301.4).

The board of directors of each local public school district shall provide the safety eye-protective devices required by Code. Such devices may be paid for from the general fund, but the board may require students and teachers to pay for the safety devices and shall make them available to students and teachers at no more than the actual cost to the district (280.10).

The board of directors shall provide the safety ear-protective devices required by Code. Such devices may be paid for from the general fund, but the board may require students and teachers to pay for the safety devices and shall make them available to students and teachers at no more than the actual cost to the district (280.11).

Bonds and premiums for bonds for school corporation employees who have custody of funds belonging to the corporation or funds derived from extracurricular activities and other sources in the conduct of their duties shall be paid from the general fund (279.8).

All expenses related to changes in boundaries, reorganization, or dissolution shall be assessed to the affected districts and the respective boards to which such expenses are certified shall audit and order the same paid from the general fund (275.26).

The expenses of engraving and printing school bonds may be paid out of the general fund (298.22).

Money inadvertently placed in the general fund may be withdrawn and put to the special purposes for which raised (1936 Op. Att'y Gen 38 (#35-1-26)).

When a new district is organized the funds cannot be placed in the schoolhouse fund and used for building purposes (OAG #55-7-26).

Transfers from the general fund to the schoolhouse fund may not be authorized either by vote of the school board or the electorate (OAG # 80-11-26).

Any governmental fund authorized to be used to construct or acquire capital facilities, must transfer those funds to a capital projects fund to be accounted for there. Surplus remaining after the completion of the capital project may be returned to the fund from which the money originated (298A.9). There are only two situations where capital projects money could have originated from the general fund: asbestos projects funded with a federal asbestos loan or SBRC authorized completion of construction of facilities authorized by the voters through a bond issue or the voter-approved PPEL. In the case of SBRC authorized transfers, any excess remaining after the completion of the construction shall be returned to the general fund (257.31(7)).

Any governmental fund having authorized indebtedness must transfer those funds to the debt service fund when interest and principal payments are due. Retirement of bonded indebtedness or other authorized indebtedness shall be accounted for in the debt service fund (298A.10). There are only four situations where debt service money could have come from the general fund: loans to purchase buses authorized under 285.10(7), loans to purchase equipment authorized under 279.48, loans to be used for energy conservation measures under 473.20, and federal loans to be used for asbestos removal, management, or abatement under 279.52. Other than bonded indebtedness, payments for debt retirement may only come from the fund in which the original loan proceeds were deposited.

Temporary transfers from the schoolhouse fund to the general fund cannot be made unless authorized by electors for certain limited purposes (OAG #64-2-5).

The electorate, by vote, may direct the board of directors to transfer any surplus funds in the debt service fund, PPEL fund, capital projects funds, or PERL fund to the general fund [but not the reverse] (278.1(5)).

Iowa Code section 24.22 referring to authority to transfer money between funds upon the approval of the state appeals board does not apply to transfers from the general fund to the schoolhouse fund (OAG #27-4-22).

Transfers may not be made from the general fund to the schoolhouse fund nor may the general fund be used for sites or improvements (1938 Op. Att'y Gen. 210 (#37-5-7)).

A school district may not use proceeds from the general fund to purchase or construct buildings or land or for capital improvements to real property except under special circumstances authorized by the SBRC.

A school district board of directors may not transfer funds from the general fund to the schoolhouse fund for the purpose of constructing a hot lunch facility even though there is sufficient surplus in the general fund to defray the cost of such construction (OAG #79-11-20).

The costs of special education instructional programs include the costs of purchase of transportation equipment to meet the special needs of children requiring special education with the approval of the director of the Department of Education (256B.9(7)).

Funds generated for special education instructional programs under chapter 256B and chapter 257 shall not be expended for modifications of school buildings to make them accessible to children requiring special education (256B.9(9)).

Sources of Revenue

Sources of revenue include all moneys not required by law to be accounted for in another fund (298A.2). Proceeds from the sale or disposition of property other than real property shall be placed in the general fund. Proceeds from the lease of real or other property shall be placed in the general fund (297.22(1)). Rents received for incidental community use listed in section 297.9 are recorded in this fund. Sales of school supplies (commonly called resale) and sales or rentals of textbooks shall be accounted for in the general fund (301.1). Compensation or rent received for the use of school property (297.10). Any revenue or receipt described in law as a "miscellaneous income to the general fund" or coming from SBRC modified allowable growth is restricted to this fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes. Student activity fund,

management levy fund, PPEL Fund, PERL Fund, 67.5 cent schoolhouse fund, and library levy fund are special revenue funds.

Student Activity Fund (21)

Purpose and Use

The student activity fund is a special revenue fund. A student activity fund must be established in any school corporation receiving money from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related cocurricular or extracurricular activities. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8).

Each board shall sponsor a pupil activity program sufficiently broad and balanced to offer opportunities for all pupils to participate. The program shall be supervised by qualified professional staff and shall be designed to meet the needs and interests and challenge the abilities of all pupils consistent with their individual stages of development; contribute to the physical, mental, athletic, civic, social, moral, and emotional growth of all pupils; offer opportunities for both individual and group activities; be integrated with the instructional program; and provide balance so a limited number of activities will not be perpetuated at the expense of others (IAC 12.6(1)).

If the board sponsors a voluntary program of supervised intramural sports for pupils in grades seven through twelve, qualified personnel and adequate facilities, equipment, and supplies shall be provided. Middle school grades below grade seven may also participate (IAC 12.6(2)).

If a school district does not provide an interscholastic activity for its students, the board of directors of that school district may complete an agreement with another school district to provide for the eligibility of its students in interscholastic activities provided by that other school district. (280.13A).

A public school shall not participate in or allow students representing a public school to participate in any extracurricular interscholastic athletic contest or competition which is sponsored or administered by an organization unless the organization is registered with the department of education, files financial statements with the department in the form and at the intervals prescribed by the director of the department of education, and is in compliance with rules which the state board of education adopts for the proper administration, supervision, operation, adoption of eligibility requirements, and scheduling of extracurricular interscholastic contests and competitions and the organizations (280.13).

Organizations registered with the department include the following:

- 36.2(1) Iowa high school athletic association
- 36.2(2) Iowa girls high school athletic union
- 36.2(3) Iowa high school music association
- 36.2(4) Iowa high school speech association
- 36.2(5) Unified Iowa high school activities federation (IAC 281--36.2).

Cities and towns cannot limit or license school activities (1928 Op. Att'y Gen. 280 (#27-12-23)).

In Iowa, all funds collected through school activities are under the financial control of the school board. Prudent and proper accounting of all receipts and expenditures in these accounts is, therefore, the responsibility of the board. The board may delegate to others the responsibility of keeping the records but, before the law, the board is responsible. Districts may maintain subsidiary records for students activities, however, all official records of the student activity fund shall be maintained on the Uniform Financial Accounting system, and all subsidiary records must be reconciled to the official records on a monthly basis.

School districts are not required to maintain funds raised by outside organizations in the school's activity fund. A board may regulate fundraising activity during school and school sponsored events, and it may regulate the use of funds derived from those sources (OAG #83-9-1).

Employees of a school corporation maintaining a high school who have the custody of funds belonging to the corporation or funds derived from extracurricular activities and other sources in the conduct of their duties, shall be required to furnish suitable bond indemnifying the corporation or any activity group connected with the school against loss, and employees who have the custody of property belonging to the corporation or any activity group connected with the school may be required to furnish such bond. Said bond or bonds may be in such form and penalty as the board may approve and the premiums on same shall be paid from the general fund of the corporation (279.8).

The student activity fund shall not be used as a clearing account for the general fund or any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund.

Types of Expenditures

The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1).

Expenditures which lack public purpose shall not be made from public moneys. The student activity moneys are public funds.

Appropriate expenditures include the ordinary and necessary expenses of operating district sponsored and supervised student cocurricular and extracurricular activities. Expenditures that may not be made from public moneys include the following:

1. The cost of optional equipment or customizing uniforms.
2. The cost of uniforms when the following two tests are not met:
 - a. The activity is a part of the school's educational program, and
 - b. The wearing of the uniform or equipment is necessary in order to participate.
3. Hospital or medical claims for student injuries or procurement of student medical insurance. However, district liability insurance is allowed from public tax funds.
4. Optional costs related to activities such as promotional costs (printing of tickets and posters, or other advertising expenses). The expenditures are not necessary to the extracurricular program, and are therefore optional and shall not come from public funds. [Note: This refers to specialized tickets promoting the event but does not refer to general purpose tickets used by district for appropriate internal accounting controls.]
5. Membership fees in student activity related associations if the fees are optional, in that non-member schools may participate in sponsored events (OAG #92-11-13).

Inappropriate expenditures would include any expenditures more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund.

All funds from all student organizations and activities residing in the school district funds including the student activity fund are owned by the school district. The students are not owners of the funds and the funds do not meet the legal requirement of description to be specific identifiable money (1967 Senior Class of Pekin vs Tharp, Supreme Court of Iowa, December 12, 1967). An excess of revenues over expenditures for any student activity remains under the control of the board and may not be distributed to any individual member of such activity. Residual interest in all student activity moneys belongs to the district. Upon dissolution of such activity, such as a graduating class, drama club, etc., the surplus must be used to support other student activities in the student activity fund.

Student activity funds may not in any event be devoted or allocated to any private organization nor may they be added to the general fund. These funds shall be maintained in a student activity fund supervised by the board (O.A.G. #46-3-26).

Sources of Revenue

Revenue sources include income derived from student activities or fees. This includes gate receipts, ticket sales, admissions, activity fees, student dues, donations, fund-raising events, and any other receipts derived from student body cocurricular or extracurricular activities, contests, and exhibitions.

District Management Levy Fund (22)

Purpose and Use

The district management levy fund is a special revenue fund. A district management levy fund must be established in any school corporation which levies the tax authorized under section 298.4 (298A.3).

The purpose of this fund is to pay the costs of unemployment benefits, early retirement benefits, insurance agreements, and costs of liability insurance and judgments or settlements relating to liability. Unencumbered funds collected from the levies authorized in sections 96.31, 279.46, and 296.7 prior to July 1, 1991, [Tort/Insurance Fund, Unemployment

Fund, Early Retirement Fund] may be expended for the purposes listed for the management fund except payment of judgments or settlements (298.4).

Unemployment Benefits. Political subdivisions may levy a tax outside their general fund levy limits to pay the cost of unemployment benefits. For school districts the cost of unemployment benefits shall be included in the district management levy pursuant to section 298.4 (96.31).

Insurance Agreements. School districts are prohibited from using this levy to pay for employee health benefit plans (OAG #92-10-5(L)). Any insurance agreements entered into or renewed on or after May 7, 1990, are subject to this prohibition: management fund may not be used to pay for employee health benefit plans. Management fund may be used to fund qualifying early retirement benefits even if those benefits include continuing health benefits (OAG #94-1-3((L))).

1. A school district may contract indebtedness and issue general obligation bonds or enter into insurance agreements obligating the school district or corporation to make payments beyond its current budget year for one or more of the following mechanisms to protect the school district or corporation from tort liability, loss of property, environmental hazards, or any other risk associated with the operation of the school district or corporation:
 - a. To procure or provide for a policy of insurance.
 - b. To provide a self-insured program.
 - c. To establish and maintain a local government risk pool.However, this subsection does not apply to an insurance program described in subsection 3.
1. For purposes of subsection 1, an employee benefit plan which includes a specific or aggregate excess loss coverage or a program that self-insures only a per-employee or per-family deductible for each year and which transfers the risk remaining beyond this deductible is not a self-insurance program, but is instead an insurance program. As used in this section, an "employee benefit plan" includes, but is not limited to benefits for hospital and surgical, medical expense, major medical, dental, prescription drug, disability, or life insurance costs or benefits.
2. A school district, providing an insurance program as described in subsection 2, shall not contract indebtedness and issue general obligation bonds or enter into insurance agreements obligating the school district to make payments beyond its current budget year for that employee benefit plan. A school district may, however, apply to the SBRC for relief if necessitated by the expenses in the school district's insurance program as described in subsection 2.
3. Taxes may be levied in excess of any limitation imposed by statute for payment of one or more of the following authorized by subsection 1:
 - a. Principal, premium, or interest on bonds.
 - b. Premium on an insurance policy, including a stop loss or reinsurance policy, except as limited by subsection 3.
 - c. Costs of a self-insurance program.
 - d. Costs of a local government risk pool.
 - e. Amounts payable under an insurance agreement. However, for a school district, a tax levied under this section shall be included in the district management levy under section 298.4.
4. A self-insurance program or local government risk pool authorized by subsection 1 is not insurance and is not subject to regulation under chapters 505 through 523C. However, those self-insurance plans regulated pursuant to section 509A.14 shall remain subject to the requirements of section 509A.14 and rules adopted pursuant to that section.
5. Notwithstanding the other provisions of this section or any other statute, the tax levy authorized by this section shall not be used to pay the costs of employee benefits, including, but not limited to costs for hospital and surgical, medical expense, major medical, dental, prescription drug, disability, or life insurance benefits.
6. If the board by resolution restricts the use of money in a fund as a reserve for uninsured liability or a self-insurance program, the use shall be restricted and unavailable for any other purpose until the board removes the restriction. The removal is not effective until all obligations of the restricted fund have been satisfied, or the next fiscal year, whichever occurs later (296.7).

"Tort" means every civil wrong which results in wrongful death or injury to person or injury to property or injury to personal or property rights and includes but is not restricted to actions based upon negligence; error or omission; nuisance; breach of duty, whether statutory or other duty or denial or impairment of any right under any constitutional provision, statute or rule of law (670.1(4)).

Except as otherwise provided in chapter 670, every municipality is subject to liability for its torts and those of its officers and employees, acting within the scope of their employment or duties, whether arising out of a governmental or proprietary function (670.2).

The liability imposed by section 670.2 shall have no application to any claim enumerated in section 670.4. As to any such claim, a municipality shall be liable only to the extent liability may be imposed by the express statute dealing with such claims and, in the absence of such express statute, the municipality shall be immune from liability (670.4).

The governing body of a municipality may purchase a policy of liability insurance insuring against all or any part of liability which might be incurred by the municipality or its officers, employees, and agents under section 670.2 and section 670.8 and may similarly purchase insurance covering torts specified in section 670.4. The governing body of the municipality may adopt a self-insurance program, including but not limited to the investigation and defense of claims, the establishment of a reserve fund for claims, the payment of claims, and the administration and management of the self-insurance program, to cover all or any part of the liability. The governing body of a municipality may join and pay funds into a local government risk pool to protect itself against any or all liability. The governing body of a municipality may enter into insurance agreements obligating the municipality to make payments beyond its current budget year to provide or procure such policies of insurance, self-insurance program, or local government risk pool. The premium costs of the insurance, the costs of a self-insurance program, the costs of a local government risk pool, and the amounts payable under the insurance agreements shall be included in the district management levy as provided in section 296.7 if the district has certified a district management levy. If the district has not certified a district management levy, the cost shall be paid from the general fund (670.7).

A school district entering into an insurance agreement pursuant to section 296.7(1)(a) to protect against property loss has authority under section 298.4(3) to use its management fund to pay the cost of a physical inventory conducted solely for the purpose of insurance. To the extent that GAAP requires a school district to conduct physical inventories of its property for purposes other than insurance, the district should use its general fund to pay for them (AG Informal Advice, February, 1996).

Judgment. The governing body shall defend its officers and employees, whether elected or appointed and shall save harmless and indemnify the officers and employees against any tort claim or demand, whether groundless or otherwise, arising out of an alleged act or omission occurring within the scope of their employment or duties. However, the duty to save harmless and indemnify does not apply to awards for punitive damages. The exception for punitive damages does not prohibit a governing body from purchasing insurance to protect its officers and employees from punitive damages. The duty to save harmless and indemnify does not apply and the municipality is entitled to restitution by an officer or employee if, in an action commenced by the municipality against the officer or employee, it is determined that the conduct of the officer or employee upon which the tort claim or demand was based constituted a willful and wanton act or omission. Any independent or autonomous board or commission of a municipality having authority to disburse funds for a particular municipal function without approval of the governing body shall similarly defend, save harmless and indemnify its officers and employees against tort claims or demands. The duties to defend and to save harmless and indemnify shall apply whether or not the municipality is a party to the action and shall include but not be limited to cases arising under title 42 United States Code section 1983. In the event the officer or employee fails to cooperate in the defense against the claim or demand, the municipality shall have a right of indemnification against that officer or employee (670.8).

The governing body of any municipality may compromise, adjust and settle tort claims against the municipality, its officers, employees and agents, for damages under sections 670.2 or 670.8 and may appropriate money for the payment of amounts agreed upon (670.9).

When a final judgment is entered against or a settlement is made by a municipality for a claim within the scope of section 670.2 or 670.8, payment shall be made and the same remedies apply in the case of nonpayment as in the case of other judgments against the municipality. If a judgment or settlement is unpaid at the time of the adoption of the annual budget, the municipality shall budget an amount sufficient to pay the judgment or settlement together with interest accruing on it to the expected date of payment. A tax may be levied in excess of any limitation imposed by statute. However, for school districts the costs of a judgment or settlement under section 670.10 shall be included in the district management levy pursuant to section 298.4 (670.10).

All officers and employees of municipalities are not personally liable for claims which are exempted under section 670.4, except claims for punitive damages, and actions permitted under section 85.20. An officer or employee of a municipality is not liable for punitive damages as a result of acts in the performance of a duty, unless actual malice or willful, wanton and reckless misconduct is proven (670.12).

A default judgment shall not be taken against an employee, officer, or agent of a municipality unless the municipality is a party to the action and the time for special appearance, motion or answer by the municipality under rule 53 of the rules of civil procedure has expired (670.13).

When a judgment shall be obtained against a school corporation, its board shall order the payment thereof out of the proper fund by an order on the treasurer, not in excess, however, of the funds available for that purpose (298.15).

If the proper fund is not sufficient, then, unless its board has provided by the issuance of bonds for raising the amount necessary to pay a judgment, the cost of the judgment shall be included in the district management fund (298.16).

Where a judgment had been fraudulently obtained against a school district, the fact that the electors had voted a tax to pay such judgment would not stop the district from bringing an action to set it aside within a year after it was obtained (Independent School District of Rock Rapids v. Schreiner, 1877, 46 Iowa 173).

Early Retirement Benefits. The board of directors of a school district may adopt a program for payment of a monetary bonus, continuation of health or medical insurance coverage, or other incentives for encouraging its employees to retire before the normal retirement date as defined in chapter 97B. The program is available only to employees between fifty-five and sixty-five years of age who notify the board of directors prior to April 1 of the fiscal year that they intend to retire not later than the next following June 30. However, the age at which employees shall be designated eligible for the program, within the age range of fifty-five to sixty-five years of age, shall be at the discretion of the board. An employee retiring under this section shall apply for a retirement allowance under chapter 97B or chapter 294 [IPERS]. The board may include in the district management levy an amount to pay the total estimated accumulated cost to the school district of the health or medical insurance coverage, bonus, or other incentive for employees who retire under this section (279.46).

An IPERS member's normal retirement date is any of the following, whichever is applicable to the member:

1. The first of the month in which a member attains the age of sixty-five years if the member has not completed twenty years of membership service.
2. The first of the month in which the member attains the age of sixty-two years if the member has completed twenty years of membership service.
3. The first of any month in which the member has completed twenty years of membership service if the member has attained the age of sixty-two years but is not yet sixty-five years of age.
4. The first of any month in which a member is at least fifty-five years of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or exceeds eighty-eight (97B.45).

A member's early retirement date shall be the first of the month in which a member attains the age of fifty-five years or the first of any month after attaining the age of fifty-five years prior to the member's normal retirement date, provided such date shall be after the last day of service (97B.47).

Types of Expenditures

This fund shall be expended only for the following purposes:

1. To pay the cost of unemployment benefits as provided in section 96.31.
2. To pay the costs of liability insurance and the costs of a judgment or settlement relating to liability together with interest accruing on the judgment or settlement to the expected date of payment.
3. To pay the costs of insurance agreements under section 296.7.
4. To pay the costs of a judgment under section 298.16.
5. To pay the cost of early retirement benefits to employees under section 279.46 (298.4).

Sources of Revenue

The board of directors of a school district may certify for levy by April 15 of a school year, a tax on all taxable property in the school district for a district management levy. The revenue from the tax levied shall be placed in the district management levy fund (298.4).

Physical Plant and Equipment Levy (PPEL) Fund (23)

Purpose and Use

The physical plant and equipment levy fund is a special revenue fund. A physical plant and equipment levy fund must be established in any school corporation which levies the tax authorized, whether regular or voter-approved, under section 298.2 (298A.4).

The physical plant and equipment levy (PPEL) consists of the regular PPEL of not exceeding thirty-three cents per thousand dollars of assessed valuation and a voter-approved PPEL of not exceeding one dollar and thirty-four cents per thousand dollars of assessed valuation, for a total of one dollar and sixty-seven cents (298.2(1)).

Types of Expenditures

The revenue from the regular and voter-approved physical plant and equipment levies shall be placed in the physical plant and equipment levy fund and expended only for the following purposes:

1. The purchase and improvement of grounds.
 - a. "Purchase of grounds" includes the legal costs relating to the property acquisition, costs of surveys of the property, costs of relocation assistance under state and federal law, and other costs incidental in the property acquisition.
 - b. "Improvement of grounds" includes grading, landscaping, paving, seeding, and planting of shrubs and trees; constructing sidewalks, roadways, retaining walls, sewers and storm drains, and installing hydrants; surfacing and soil treatment of athletic fields and tennis courts; exterior lighting, including athletic fields and tennis courts; furnishing and installing flagpoles, gateways, fences, and underground storage tanks which are not parts of building service systems; demolition work; and special assessments against the school district for public improvements, as defined in section 384.37.
2. The construction of schoolhouses or buildings and opening roads to schoolhouses or buildings.
3. The purchase of buildings and the purchase of a single unit of equipment or a technology system exceeding one thousand five hundred dollars in value.
4. The payment of debts contracted for the erection or construction of schoolhouses or buildings, not including interest on bonds.
5. Procuring or acquisition of library facilities.
6. Repairing, remodeling, reconstructing, improving, or expanding the schoolhouses or buildings and [the] additions to existing schoolhouses. "Repairing" means restoring an existing structure or thing to its original condition, as near as may be, after decay, waste, injury, or partial destruction, but does not include maintenance; and "reconstructing" means rebuilding or restoring as an entity a thing which was lost or destroyed.
7. Expenditures for energy conservation.
8. The rental of facilities under chapter 28E.
9. Purchase of transportation equipment for transporting students.
10. Lease-purchase option agreements for school buildings and for equipment exceeding in value five thousand dollars per single unit.
11. Equipment purchases for recreational purposes.
12. Payments to a municipality or other entity as required under subsection 403.19(2) (298.3).

All or a portion of the taxes for the PPEL shall be paid by the school district to the municipality if the auditor certifies to the school district by July 1 the amount of such levy that is necessary to pay the principal and interest on bonds issued by the municipality to finance an urban renewal project, which were issued before July 1, 2001. Indebtedness incurred to refund bonds issued prior to July 1, 2001, shall not be included in the certification. Such school district shall pay over the amount certified by November 1 and May 1 of the fiscal year following certification to the school district (403.19(2)).

Interest earned on money in the physical plant and equipment levy fund may be expended for a purpose listed in this section (298.3). Unencumbered funds collected prior to July 1, 1991, from the levy previously authorized under section 297.5, Code 1991, [Site fund] may be expended for the purposes listed in this section (298.3).

Revenue from the regular and voter-approved PPEL levies shall not be expended for school district employee salaries or travel expenses, supplies, printing costs or media services, or for any other purpose not expressly authorized in this section (298.3).

"Single unit of equipment" refers to both equipment and furnishings and does not include bulk purchases or multiple purchases of units. The cost limitation for a single unit of equipment does not apply to equipment which becomes part of the real property itself such as furnaces, boilers, water heaters, and central air conditioning units which would be included in repairs to the building.

"Public Improvement" includes the principal structures, works, component parts and accessories of any of the following:

- a. Sanitary, storm, and combined sewers.
- b. Drainage conduits, channels and levees.

- c. Street grading, paving, graveling, macadamizing, curbing, guttering, and surfacing with oil, oil and gravel or chloride.
- d. Street lighting fixtures, connections and facilities.
- e. Sewage pumping stations, and disposal and treatment plants.
- f. Underground gas, water, heating, sewer and electrical connections located in streets for private property.
- g. Sidewalks and pedestrian underpasses or overpasses.
- h. Drives and driveway approaches located within the public right of way.
- i. Waterworks, water mains and extensions.
- j. Plazas, arcades and malls.
- k. Parking facilities.
- l. Removal of diseased or dead trees from any public place, publicly owned right of way or private property.
- m. Traffic-control devices, fixtures, connections, and facilities (384.37(19)).

The board of directors of a local school district for which a voter-approved PPEL has been voted may enter into a rental or lease arrangement, consistent with the purposes for which the voter-approved PPEL has been voted, for a period not exceeding ten years and not exceeding the period for which the voter-approved PPEL has been authorized by the voters (279.26).

The board may, with approval of sixty percent of the voters, voting in a regular or special election in the school district, make extended time contracts not to exceed twenty years in duration for rental of buildings to supplement existing schoolhouse facilities; and where it is deemed advisable for buildings to be constructed or placed on real estate owned by the school district, these contracts may include lease-purchase option agreements, the amounts to be paid out of the PPEL fund (278.1).

The board of directors may pay the actual cost of an asbestos project from the general fund or the PPEL fund, or money obtained through a federal asbestos loan program and repayment of that federal loan. Cost of an asbestos project includes the costs of inspection and reinspection, sampling, analysis, assessment, response actions, operations and maintenance, training, periodic surveillance, developing of management plans and recordkeeping requirements relating to the presence of asbestos in school buildings of the district and its removal or encapsulation (279.52).

School districts may purchase, erect, or otherwise acquire a building for use as a school meal facility, and equip a building for that use, and pay for the acquisition or equipping from funds available in the PPEL fund, subject to the terms of section 298.2 (283A.9).

Moneys received from the condemnation, sale, or other disposition for public purposes of schoolhouses, school sites, or both schoolhouses and school sites, shall be deposited in the PPEL fund and may without a vote of the electorate be used for the purchase of school sites or the erection or repair of schoolhouses, or both, as ordered by the board of directors of the school district (279.41).

School districts may purchase, erect, or otherwise acquire a building for use as a school meal facility, and equip a building for that use, and pay for the acquisition or equipping from funds available in the PPEL fund, subject to the terms of section 298.2 (283A.9).

Each board of directors in school districts where the school grounds adjoin cultivated or improved lands shall build and maintain a lawful fence between said grounds and cultivated or improved lands, and the owner of lands adjoining any such site shall have the right to connect the fence on that land with the fence around the school grounds, but shall not be liable to contribute to the maintenance of such fence (297.13; 1912 Op. Att'y Gen. 658 (#12-7-12)). No fence provided in section 297.13 shall be constructed of barbed wire, nor shall any barbed wire fence be placed within ten feet of any school grounds (297.14; 1912 Op. Att'y Gen. 738 (#12-4-20)). If the owner of the ground adjacent to a school site has it fenced hog-tight, the schoolhouse fence must also be hog-tight (1912 Op. Att'y Gen. 658 (#12-4-20)).

Sources of Revenue

The revenue from the regular and voter-approved PPEL levies shall be placed in the PPEL fund (298.3).

The voter-approval PPEL may consist of a combination of a PPEL property tax levy and a PPEL income surtax (298.2(1)). However, if the board intends to enter into a rental or lease arrangement under section 279.26, or intends to enter into a loan agreement under section 297.36, only a property tax shall be levied for those purposes (298.2(4)).

In order to make immediately available proceeds of the voter-approved PPEL which has been approved by the voters as provided in section 298.2, the board of directors may, with or without notice, borrow money and enter into loan

agreements in anticipation of the collection of the tax with a bank, investment banker, trust company, insurance company, or insurance group. The proceeds of a loan must be deposited in the PPEL fund (297.36).

Proceeds from the sale or disposition of real property shall be placed in the physical plant and equipment levy fund (297.22(1)). Moneys received from the condemnation, sale, or other disposition for public purposes of schoolhouses, school sites, or both schoolhouses and school sites, shall be deposited in the PPEL fund (279.41).

Revenue also includes interest earned on money in the PPEL Fund.

Public Education and Recreation Levy (PERL) Fund (24)

Purpose and Use

The public education and recreation levy fund is a special revenue fund. A public education and recreation levy fund must be established in any school corporation which levies the tax authorized under section 300.2 or which receives revenue from a 28E agreement authorized under section 300.1 (298A.6). Once approved at an election, the authority of the board to levy and collect the tax shall continue until the board votes to rescind the levy and collection of the tax or the voters of the school district by majority vote order the discontinuance of the levy and collection of the tax (300.3).

Boards of directors of school districts may establish and maintain for children and adults public recreation places and playgrounds, and necessary accommodations for the recreation places and playgrounds, in the public school buildings and grounds of the district. The board may co-operate under chapter 28E with a public agency having the custody and management of buildings or grounds open to the public, located within the school district, and may provide for the supervision and instruction necessary to carry on public educational and recreational activities in the parks, buildings, and grounds located within the district (300.1).

It is the purpose of chapter 276 to provide educational, recreational, cultural, and other community services and programs through the establishment of the concept of community education with the community school serving as the center for such activity. In co-operation with other community agencies and groups, it is the purpose of the community education act to mobilize community resources to solve identified community concerns and to promote a more efficient and expanded use of existing school buildings and equipment, to provide leadership in working with other entities, to mobilize the human and financial resources of a community, and to provide a wide range of opportunities for all socioeconomic, ethnic, and age groups. A related purpose of chapter 276 is to develop a sense of community in which the citizenry cooperates with the school and community agencies and groups to resolve their school and community concerns and to recognize that the schools belong to the people, and that as the entity located in every neighborhood, the schools are available for use by the community day and night, year-round or any time when the programming will not interfere with the elementary and secondary program (276.2).

The board of directors of a local school district may establish a community education program for schools in the district and provide for the general supervision of the program. Financial support for the program shall be provided from funds raised pursuant to chapter 300 and from any private funds and any federal funds made available for the purpose of implementing community education (276.10).

Residents of the affected school district shall determine if community education will function in their community by providing for funding pursuant to chapter 300 (276.11). If the voters of a school district have approved the levying of a tax pursuant to section 300.2 prior to July 7, 1978, moneys collected pursuant to the voted tax levy after said date may be used for community education programs (276.12).

Types of Expenditures

Expenditures include those necessary to establish and maintain public recreation places and playgrounds and necessary accommodations, to provide public educational and recreational activities authorized under chapter 300, and to provide community education authorized under chapter 276.

Sources of Revenue

The primary sources of revenue are the tax levy not to exceed \$0.135 per \$1000 of assessed valuation (300.2), any appropriation by the agencies involved in a cooperative effort under Iowa Code chapter 28E, interest on temporary investment of PERL moneys, and donations.

67.5 Cent Schoolhouse Tax Levy Fund (28)

Purpose and Use

The schoolhouse tax levy fund is a special revenue fund. A schoolhouse tax levy fund must be established in any school corporation which levies the tax which was authorized by section 278.1, subsection 7, Code 1989. This fund shall continue in existence until all tax has been collected and all moneys have been expended for the purposes originally authorized by the electors (298A.5).

Types of Expenditures

This fund may be used for the purchase of grounds; construction of schoolhouses or buildings; payment of debts contracted for the erection of schoolhouses or buildings, not including interest on bonds; for procuring or acquisition of libraries; for opening roads to schoolhouses or buildings; for the purchase of buildings or equipment for buildings or schoolhouses; for repairing, remodeling, reconstructing, improving or expanding the schoolhouses or buildings for the school district; for landscaping, paving, or improving the schoolhouse or building grounds; or for rental of facilities pursuant to Iowa Code chapter 28E.

"Repair" means to restore the existing structure or thing to its original condition, as near as may be, after decay, waste, injury or partial destruction, but does not include maintenance or customary repainting. "Reconstruction" means to rebuild or to restore again as an entity the thing which was lost or destroyed.

The board of directors of a local school district for which a schoolhouse tax has been voted may enter into a rental or lease arrangement, consistent with the purposes for which the schoolhouse tax has been voted, for a period not exceeding ten years and not exceeding the period for which the schoolhouse tax has been authorized by the voters.

Expenditures from the schoolhouse 67.5 cent levy fund are limited to those directly related to real property. Opinions of the attorney general expand this to include the initial equipping of new construction, this equipment being of a permanent or long-term nature which becomes a fixed part of the building. Expenditures for instructional or operational equipment, furnishings, or supplies or for maintenance may not come from this fund. Rather, those expenditures are from the general fund.

The schoolhouse 67.5 cent levy fund cannot be used for the purpose of purchasing an automobile, bus, or other vehicles.

Sources of Revenue

The source of revenue is the schoolhouse tax levy (former Iowa Code subsection 278.1(7)) mentioned above. In order to make immediately available proceeds of the schoolhouse tax which has been approved by the voters, the board of directors may, with or without notice, borrow money and enter into loan agreements in anticipation of the collection of the tax with a bank, investment banker, trust company, insurance company, or insurance group.

Library Levy Fund (29)

Purpose and Use

The library levy fund is a special revenue fund. A library levy fund must be established in any school corporation which levies the tax authorized under section 298.7 (298A.7).

The board of directors of any school corporation in which there is no free public library may contract with any free public library for the free use of such library by the residents of such school district, and pay the library the amount agreed upon for the use of the library as provided by law. During the existence of the contract, the board shall certify annually a tax sufficient to pay the library the consideration agreed upon, not exceeding twenty cents per thousand dollars of assessed value of the taxable property of the district. During the existence of the contract, the school corporation is relieved from the requirement that the school treasurer withhold funds for library purposes. This section does not apply in townships where a contract for other library facilities is in existence (298.7(1)). However, if a school district which is qualified to contract for library services under subsection 1 levies a tax not to exceed twenty cents per thousand dollars of assessed valuation of the taxable property for school library purposes in the fiscal year before a reorganization involving the district, the tax levy shall remain valid for succeeding fiscal years, and shall be levied and collected against the taxable property of the former district which is part of the reorganized district for school library

purposes. The contract and the tax levy may be discontinued by a petition signed by eligible electors residing in the former district (298.7(2)).

Types of Expenditures

Expenditures necessary to provide a free public library are appropriate to this fund.

Sources of Revenue

Sources of revenue are derived from the tax levy authorized under section 298.7 and interest on investment of those moneys.

Capital Projects Funds (30-39)

Purpose and Use

A capital project fund must be established in any school corporation which issues bonds or other authorized indebtedness for capital projects or which initiates a capital project, or which receives grants or other funds for capital projects. Boards are authorized to establish more than one capital project fund as necessary. Any balance remaining in a capital project fund after the capital project is completed may be retained for future capital projects in accordance with the original purpose of the bond issue or voter-approved levy; or may be transferred, by board resolution, to the debt service fund, the physical plant and equipment levy fund, or other fund from which the surplus originated; or transferred to the general fund in accordance with section 278.1, subsection 5 (298A.9).

A local option sales and services tax for school infrastructure (LOSST) purposes may be imposed by a county on behalf of school districts (422E.1(1)). The board of directors of a school district shall be authorized to issue negotiable, interest-bearing school bonds, without election, and utilize tax receipts derived from the sales and services tax for school infrastructure purposes for principal and interest repayment. The tax revenues and the bond proceeds shall be deposited in the LOSST capital projects fund.

Types of Expenditures

Expenditures relating to the acquisition, construction, remodeling, reconstructing, repairing, improving or expanding of school facilities are authorized. Expenditures include purchasing, building, furnishing, reconstructing, repairing, improving or remodeling a schoolhouse or schoolhouse addition, gymnasium, stadium, field house, school bus garage, teachers' or superintendent's home(s), and procuring or improving a site for a schoolhouse or athletic field (296.1). Expenditures include acquiring sites for school purposes, erecting, completing or improving buildings authorized for school purposes or acquiring equipment [real property] for schools, sites, and buildings (298.21).

LOSST proceeds shall be utilized solely for school infrastructure purposes. School infrastructure means those activities for which a school district is authorized to contract indebtedness and issue general obligation bonds under section 296.1, except those activities related to a teacher's or superintendent's home or homes. These activities include the construction, reconstruction, repair, purchasing, or remodeling of schoolhouses, stadiums, gyms, fieldhouses, and bus garages and the procurement of schoolhouse construction sites and the making of site improvements. Additionally, school infrastructure includes the payment or retirement of outstanding bonds previously issued for school infrastructure purposes as defined in this subsection, and the payment or retirement of bonds issued under section 422E.4 (422E.1(3)).

The tax expenditure purposes expressed in the ballot proposition for a local option tax are binding upon the governing body after local option tax imposition is approved by the voters (OAG #91-11-1).

Chapter 422E on the local option sales and services tax for school infrastructure does not per se prohibit the salaries and benefits of a school district employee whose activities are solely related to the infrastructure activities outlined in section 422E.1(3) from being paid with the tax proceeds received under chapter 422E (OAG #00-4-4(L)).

Types of Transfers

When a new district is organized the funds cannot be placed in the schoolhouse [capital projects] fund and used for building purposes (OAG #55-7-26).

The electorate, by vote, may direct the board of directors to transfer any surplus funds in the debt service fund, PPEL fund, capital projects funds, or PERL fund to the general fund [but not the reverse] (278.1(5)).

Any governmental fund authorized to be used to construct or acquire capital facilities, must transfer those funds to a capital projects fund to be accounted for there. Any balance remaining in a capital project fund after the capital project is completed may be retained for future capital projects in accordance with the original purpose of the bond issue or voter-approved levy; or may be transferred, by board resolution, to the debt service fund, the physical plant and equipment levy fund, or other fund from which the surplus originated; or transferred to the general fund in accordance with section 278.1, subsection 5 (298A.9).

Sources of Revenue

The primary sources of revenue are sale of bonds authorized to acquire sites for school purposes; erect, complete and improve buildings authorized for school purposes; or acquire equipment [real property] for schools, sites, and buildings (298. 21), grants and donations for capital facility projects, and transfers from other funds which authorized indebtedness for capital facility projects or which initiated a capital facility project or which received grants or other funding for capital projects (298A.9); and tax receipts or bonds issued for the local option sales and services tax for school infrastructure (LOSST) (422E).

Debt Service Fund (40)

Purpose and Use

A debt service fund must be established in any school corporation which issues bonds or other authorized indebtedness. The debt service fund shall be used to pay interest as it becomes due and the amount necessary to pay the principal when due on bonds or other authorized indebtedness issued by the district, and to make payments required under a loan, lease-purchase agreement, or other evidence of indebtedness authorized by Code. Moneys available to service this debt and received from other sources shall be transferred to the debt service fund and the payment of the debt shall be made from this fund. Funds remaining in the debt service fund after payment of all outstanding debt in accordance with the original purpose of the indebtedness may be transferred by board resolution to the physical plant and equipment levy fund, or transferred to the general fund in accordance with section 278.1, subsection 5 (298A.10).

School boards shall not incur original indebtedness by the issuance of bonds until authorized by the voters of the school corporation (274.2).

Bonds shall mature within a period not exceeding twenty years from date of issue, shall bear interest at a rate or rates not exceeding that permitted by chapter 74A, and shall be of such form as the board of directors shall by resolution provide, but the aggregate indebtedness of any school district shall not exceed five percent of the actual value of the taxable property within the district, as ascertained by the last preceding state and county tax lists (296.1).

The debt service fund contains only the current portion of the bonding program. Current assets include cash and temporary investments. Current liabilities include bonds due but unpaid and other unpaid debt service obligations. Amounts representing future bond maturities are shown in the general long-term debt accounts.

Types of Expenditures

Expenditures from the debt service fund include the payment of principal and interest of the lawful bonded indebtedness maturing in the current year. An issuer of public bonds or obligations may provided for the payment of the costs of registration of its public bonds or obligations by the levy of additional taxes for the payment from the fund for the payment of the principal and interest of general obligation bonds or from any revenue source from which the principal and interest of the public bonds or obligations are payable (76.10(6)). The board may pay in addition such amount as it may deem necessary to apply on the principal (298.18). Expenditures also include the principal and interest payment on other indebtedness from resources transferred for that purpose from other funds.

Types of Transfers

The electorate, by vote, may direct the board of directors to transfer any surplus funds in the debt service fund, PPEL fund, capital projects funds, or PERL fund to the general fund [but not the reverse] (278.1(5)).

Any governmental fund authorized to incur long-term indebtedness and to make payments required under that loan, lease-purchase agreement, or other evidence of indebtedness authorized by Code, must transfer the amount of money necessary to pay principal and interest when due to the debt service fund to be accounted for there. The governmental fund into which the original debt proceeds were deposited is the fund that must transfer money to retire that debt unless a debt service levy is authorized by Code for the retirement of that debt. Any balance remaining in the debt service

fund after all outstanding debt is retired may be transferred, by board resolution, to the physical plant and equipment levy fund; or transferred to the general fund in accordance with section 278.1, subsection 5 (298A.10).

Sources of Revenue

Revenues include the levy on taxable property necessary to service the current year's bonds maturing and include earnings from temporary investments of debt service funds. The levy authorization is established by the voters under the provisions of 298.21. In determining how much is necessary to service the current year's bonds maturing, the board of directors shall consider the amount of earnings from temporary investments of debt service funds and consider beginning cash balances. The amount estimated and certified to apply on principal and interest for any one year shall not exceed two dollars and seventy cents per thousand dollars of the assessed valuation except as follows. The amount estimated and certified may exceed two dollars and seventy cents by the amount approved by the voters of the district, but not exceeding four dollars and five cents per thousand of the assessed valuation provided that the registered voters have first approved such increased amount at a special election, which may be held at the same time as the regular school election (298.18).

Revenues also include transfers from other funds for principal and interest due on authorized indebtedness authorized by Code in those funds (298A.10).

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the students or general public on a continuing basis are financed or recovered primarily through user charges. Enterprise funds are also used to account for operations where the school board or state regulatory agency has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds include the child care fund and the school nutrition fund. Some other enterprise funds might include the bookstore operation, cooperative purchasing operation, the athletic stadium, the community swimming pool, the preschool, and major vocational education projects such as a farm, home construction, or automotive repair shop.

School Nutrition Fund (51)

Purpose and Use

A school nutrition fund is an enterprise fund. A school nutrition fund must be established in any school corporation receiving moneys from the school meal program authorized under chapter 283A (298A.11).

All school districts shall operate or provide for the operation of school breakfast and lunch programs at all attendance centers in the district. The programs shall be operated in compliance with the rules of the state board of education and pertinent federal law and regulation, for all students in each district who attend public school four or more hours each school day and wish to participate in a school breakfast and lunch program. School districts may provide school breakfast and lunch programs for other students (283A.2(2)).

Effective July 1, 1999, all school districts shall operate or provide for the operation of school breakfast programs at all public schools in each district. The programs shall be operated in compliance with the rules of the state board of education and pertinent federal law and regulation, for all students in each district who attend public school and who wish to participate in a school breakfast program (283A.2(3)).

Federal regulations require that the department of education annually review the operating balance of school lunch funds. If the operating balance exceeds three month's normal operating cost, schools are to establish and implement a plan of action to reduce the balance. Suggested methods might include:

1. Lower the student lunch price.
2. Start a breakfast program or expand an existing breakfast program.
3. Improve food quality and/or quantity.

A school which in good faith donates food to a charitable or nonprofit organization for ultimate free distribution to needy individuals is not subject to criminal or civil liability arising from the condition of the food if the donor

reasonably inspects the food at the time of the donation and finds the food fit for human consumption. The immunity provided by this subsection does not extend to a donor if damages result from the negligence, recklessness, or intentional misconduct of the donor or if the donor has, or should have had, actual or construction knowledge that the food is tainted, contaminated, or harmful to the health or well-being of the ultimate recipient (672.1(2)).

Specific questions regarding the school meal program should be directed to the Bureau of Food and Nutrition, Department of Education.

Types of Expenditures

Expenditures include salaries and fringe benefits for employees necessary to operate the food service program, food, purchased services, supplies, and additional (other than initial) food service equipment. The acquisition of school meal facilities and equipping may be paid from the PPEL fund (283A.9).

School boards may use gifts, funds disbursed to them under the provisions of chapter 283A, revenues received from sale of school breakfasts or lunches, and any other funds legally available for the purpose of operating a school breakfast or lunch program (283A.2(1)).

To define the term "any other funds legally available" used in section 283A.2 in reference to funds available to provide a school lunch program, the following is provided: in order that property tax funds could be used to pay for any part of the school lunch program an express statutory authority could be required for such use (OAG #65-6-30).

Boards may authorize the use by senior citizen organizations of school meal facilities subject to reasonable rules and regulations of the board. Such use shall not interfere with the use of the facilities for public school purposes. The board may charge for such use an amount not to exceed the cost to the district (283A.8).

As a practical matter, food service is also available to school staff and may provide ancillary food services to staff meetings and authorized organizations for meetings on the premises in accordance with the rules of the board. The charges for such services must be no less than the actual costs involved including the value of donated government commodities.

The Code does not allow school districts to provide school lunches without charge to staff members, except where staff members are on lunch room supervisory duty or pursuant to contract (OAG #82-2-6(L)).

Transfers shall not be made from the school nutrition fund to any other fund.

Sources of Revenue

Sources of revenue include food sales to pupils and adults for the different nutrition programs maintained, ancillary food services, moneys from state and federal aid for the operation of a nutrition program, gifts, and interest on invested school nutrition fund moneys.

Child Care Fund (52)

Purpose and Uses

A child care fund is an enterprise fund. A child care fund must be established in any school corporation receiving moneys from the child care program authorized under section 279.49 (298A.12).

The board of directors of a school corporation may operate or contract for the operation of a program to provide child care to children not enrolled in school or to students enrolled in kindergarten through grade six before and after school, or to both (279.49(2)).

Types of Expenditures

Expenditures include salaries and fringe benefits for employees necessary to operate the child care program, purchased services, supplies, and child care equipment.

Sources of Revenue

The board may establish a fee for the cost of participation in a child care program authorized under section 279.49. The fee shall be established pursuant to a sliding fee schedule based upon staffing costs and other expenses and a family's ability to pay. If a fee is established, the parent or guardian of a child participating in a program shall be responsible for payment of any agreed upon fee. The board may require the parent or guardian to furnish transportation of the child (279.49(5)).

The board may utilize or make application for program subsidies from any existing child care funding streams (279.49(6)).

Internal Service Funds (60-69)

Internal service funds are used to account for the financing of services provided by one department/fund to another department/fund of the organization or to another agency on a cost-reimbursement basis. If the district is not the primary user of the goods or services provided by the internal service fund, then the activity should be accounted for in an enterprise fund rather than an internal service fund. Internal service funds would include self-insurance funds and flex-benefit (cafeteria) plan funds.

Fiduciary Funds

Trust or agency funds shall be established by any school corporation to account for gifts it receives to be used for a particular purpose or to account for money and property received and administered by the district as trustee or custodian or in the capacity of an agent. Boards may establish trust and agency funds as necessary (298A.13).

School corporations are authorized to take and hold property, real and personal, by gift and bequest and to administer the property through the proper officer in pursuance of the terms of the gift or bequest. Title shall not pass unless accepted by the governing board of the corporation. Conditions attached to the gifts or bequests become binding upon the corporation upon acceptance (565.6).

The board of directors of a school district which receives funds through gifts, devises, and bequests shall deposit these funds in a trust or an agency fund and use them in accordance with the terms of the gift, devise, or bequest (279.42).

Fiduciary funds must be established by any school district that has received assets or donations to be held as trustee or agent for individuals, private organizations or other governmental units, or other funds. The right to receive funds through gifts, devises and bequests is covered in sections 279.42 and 565.6. Fiduciary funds include expendable trust funds, nonexpendable trust funds, pension trust funds, and agency funds. *These fund designations will change with the implementation of GASB statement 34. Expendable trust funds will become special revenue trust funds or private-purpose trust funds. Nonexpendable trust funds will become permanent funds or private-purpose trust funds.*

The board of directors must take action to accept or establish trust or agency funds. It is the board's responsibility to insure that the funds will be used for purposes which are compatible with the mission of and restrictions on the district. Once accepted, it is the responsibility of the board to insure that the fiduciary relationship is carried out according to the terms of the agreement. If the purpose for which the money is to be spent is not in keeping with the overall objectives of the school, the board shall not assume responsibility as an agent or trustee for the fund. Gifts of cash or other assets shall not be accepted if the board cannot legally meet, justify, or agree to the prescribed conditions.

Upon their acceptance, gifts and bequests of money become public funding under the stewardship of the recipient. A court would likely void any transfer of public funds to a nonprofit organization (OAG #00-8-2(L)).

Trust Funds (Expendable 71-72) (Nonexpendable 73-75)

Purpose and Use

Trust funds are used to account for assets held in a trustee capacity. These include expendable trust funds, nonexpendable trust funds, and pension trust funds. *Nonexpendable trust funds* are used to account for trusts where the principal may not be spent. *Expendable trust funds* are used to account for trusts where both principal and earnings on principal may be spent for the trust's intended purpose. Expendable trust funds are also used to account for the spendable resources of nonexpendable trust funds. *These fund designations will change with the implementation of GASB statement 34.* Examples of trust funds would be scholarships or moneys received from a private foundation to finance a particular expenditure.

A school district or AEA which acts as the fiscal agent for a grant will generally use an agency fund to account for the grant received on behalf of the other members of the consortium.

Types of Expenditure

The characteristics of the expenditures from an expendable trust fund depend on the nature of the donor's conditions or the responsibilities of the trustee.

Expenditures from a non-expendable trust fund are limited to transfers to an expendable trust fund of the interest or portion of the principal which has become expendable.

Sources of Revenue

Sources of revenue include donations of cash, investment instruments, property, and interest on investments held.

Agency Funds (76-79)

Purpose and Use

Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency funds are expendable but differ from trust funds. For example, the school acts merely as a custodian of the assets and is not an owner. Agency funds may be created when an organization, which is related to the operation of the school district, places certain assets into the custody of the school system. The school system renders a service, as the custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the school district would not be accounted for in agency funds.

Types of Expenditure

The characteristics of the disbursements from an agency fund depend on the nature of the rightful owners' conditions or the responsibilities of the custodian. Typically, expenditures will involve remittance of assets to their rightful owners.

Sources of Revenue

Sources of assets include temporary receipts of cash, investment instruments, property, and interests on investments held.

Other Account Groups

The account groups described in this section differ from the funds in that they provide no source of resources for current and future outlays. The purpose of these groups is to disclose additional financial accounting information not provided by the fund records of all funds except proprietary funds and trust funds. *Account groups will be eliminated with the implementation of GASB Statement 34.*

General Fixed Asset Account Group (GFAAG) (80)

The General Fixed Asset Account Group is used to account for fixed assets other than those accounted for in proprietary funds or trust funds. Assets are recorded at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be record at their estimated fair value at the time received.

The amounts recorded for accounting and reporting general fixed assets are the initial or historical cost and are not to be confused with "appraised" values or any other reductions computed under any amortization or depreciation schedule.

General Long-Term Debt Account Group (GLTDAG) (90)

The General Long-Term Debt Account is used to account for unmatured long-term indebtedness except that which is directly related to and expected to be paid from proprietary funds and similar trust funds.

